

CHAPTER-III

PERFORMANCE REVIEW RELATING TO STATUTORY CORPORATION

3. Construction, Operation and Maintenance of Warehouses by Madhya Pradesh Warehousing and Logistics Corporation

Highlights

Despite availability of sufficient funds, the Corporation could not achieve the target of construction of new godowns during the period 2002-07.

(Paragraph 3.7)

Delay in completion and commissioning of godowns resulted in loss of potential revenue of Rs.1.74 crore.

(Paragraph 3.9)

Injudicious decision to construct double story godown inspite of availability of land resulted in avoidable extra capital expenditure of Rs.0.60 crore.

(Paragraph 3.12)

Construction of godown on disputed land resulted in blocking of funds of Rs.1.76 crore.

(Paragraph 3.15)

The Corporation failed to derive the benefit of subsidy amounting to Rupees six crore from NABARD for construction of 27 godowns.

(Paragraph 3.16)

Utilization of hired godowns during 2002-07 ranged between 80 to 92 per cent, whereas the utilization of own godowns was only 53 to 67 per cent. By utilising its own surplus available capacity of godowns instead of hiring private godowns, the Corporation would have earned additional revenue of Rs. 6.28 crore.

(Paragraph 3.20)

The Corporation failed to attract primary producers for storing food grains in its godowns as the business during 2002-07 from the farmers constituted 8.62 to 12.27 per cent of the utilised capacity

(Paragraph 3.22)

Introduction

3.1 On formation (November 2000) of the new state of Chattisgarh, the warehousing activities along with assets and liabilities of the erstwhile Madhya Pradesh State Warehousing Corporation relating to Chattisgarh were transferred (May 2002) to the Chattisgarh Warehousing Corporation. Madhya Pradesh State Warehousing Corporation stopped its activities and a new Corporation by the name Madhya Pradesh Warehousing and Logistics Corporation was formed (31 March 2003) under the Warehousing Corporations Act, 1962. The assets and liabilities relating to M.P. State were taken over by the newly formed Corporation.

The main functions of the Corporation, *inter-alia*, are to acquire and construct godowns in the State, run own and hired warehouses for storage of agriculture produce, seeds, manures, fertilizers, etc.; facilitate their transport and act as an agent of the Central Warehousing Corporation (CWC) and the State Government for notified purposes.

As on 31 March 2007, the Corporation had 1176 warehouses/godowns (owned 947 and hired 229) having total capacity of 11.71 lakh MT (owned 10.53 lakh MT and hired 1.18 lakh MT) at 232 Centres, spread all over the State. Out of total storage capacity of 61.93 lakh MT available in the State as on August 2007, the share of the Corporation was 17.73 per cent. The Corporation (being designated competent authority to issue licenses to private warehouses in the State) also issued (December 2001 to March 2007) 734 licences for the private warehouses with a storage capacity of 18.30 lakh MT. While the rapid growth in the private sector indicated demand for space and profitability of the industry, the profit earned by the Corporation declined from Rs.9.09 crore (2002-03) to Rs.5.37 crore (2006-07-provisional) despite increase in storage capacity during the period.

The Management of the Corporation is vested in a Board of Directors (BoD) consisting of 11 directors (including a Chairman and a Managing Director). Five of the Directors are nominated by CWC including one appointed in consultation with the State Bank of India and at least one from non-official group. The State Government appoints the remaining five Directors. An Executive Committee (EC) consisting of the Chairman, the MD, and three Directors, assists the BoD in its functions. The Corporation has 232 branches (headed by Branch Manager) controlled by six regional offices⁴⁶ (headed by Regional Manager).

⁴⁶ Bhopal, Indore, Jabalpur, Ujjain, Sagar, and Gwalior.

The working of the erstwhile M.P. State Warehousing Corporation was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial)-Government of Madhya Pradesh for the year ended 31 March 2000. The Committee on Public Undertakings (COPU) discussed (June/July 2003) the review and its recommendations are contained in its Report No.22 (March 2006).

Scope of audit

3.2 The present performance review conducted during February to May 2007 covers construction, operation and maintenance of warehouses by the Corporation during 2002-03 to 2006-07. A test check of records of 40 branches (245 warehouses having capacity of 3.29 lakh MT) of five⁴⁴ Regional Offices besides records of these five Regional offices and Headquarters office was carried out. The selection was made by adopting random sampling without replacement method.

Audit objectives

3.3 The performance review was conducted with a view to ascertain whether:

- proper and adequate storage facilities were constructed/created and made available to consumers in an economic and efficient manner at the right time and at the right location;
- storage capacities were utilized up to the optimum level and hiring/dehiring of private storage capacity was done economically and efficiently;
- adequate measures were taken to minimize losses of foodgrains and other commodities during storage;
- the recommendations of COPU were complied with;
- norms for deployment of manpower were adhered to; and
- internal control and internal audit system was adequate and commensurate with the size of the Corporation.

Audit criteria

3.4 The audit criteria considered for assessing the achievement of audit objectives were:

⁴⁴ *Bhopal, Indore, Jabalpur, Sagar, and Gwalior.*

- Provisions of Warehousing Corporations Act, 1962, instructions/guidelines of Government of India (GoI)/CWC/State Government/BoD for storage and delivery of food grains, raising of bills, revision of tariff and realization of storage charges;
- Instructions/guidelines of the GoI/CWC/State Government/ BoD for purchase of land, construction and maintenance of warehouses;
- Memorandum of Understanding (MoU) with the State Government, budget estimates and financial statements;
- Codal provisions for entrustment and execution of works, terms and conditions of agreement entered into with the contractors for construction of warehouses;
- Recommendations of COPU; and
- Norms for deployment of manpower.

Audit methodology

3.5 The audit methodology adopted for attaining the audit objectives with reference to audit criteria was:

- Study of MOU with State Government, Government orders, analysis of records including minutes/agenda notes of the meetings of BOD and EC relating to purchase of land, construction, utilisation and maintenance of warehouses;
- Scrutiny of budget estimates, financial statements;
- Scrutiny of records relating to occupancy and performance of warehouses, revision of storage charges and fixing of rent for hired warehouses;
- Examination of returns and other information required to be sent to the State Government/CWC as per Section 30 of Warehousing Corporations Act 1962; and
- Issues of audit enquiries and interaction with the Management.

Audit findings

The audit findings were reported (August 2007) to the Government/Management and discussed (September 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE). The MD of the Corporation attended the meeting. The views of the Management were considered while finalising the performance review.

The audit findings are discussed in the succeeding paragraphs.

Capacity expansion of warehouses

3.6 In order to achieve its main objective of providing scientific storage facility, the Corporation constructed, acquired or hired warehouses. In addition, the Corporation also used plinth platform (cap capacity) within the premises of its warehousing centres to meet seasonal requirements.

Construction of warehouses

Despite availability of sufficient funds, the Corporation could not achieve the target of construction of new godowns during 2002-07.

3.7 During 2002-07, the Corporation constructed 59 godowns having 1.65 lakh M.T capacity at a cost of Rs.30.15 crore as against a target of 141 godowns having 4.02 lakh MT capacity with a budget provision of Rs.64.59 crore (*Annexure-21*). Despite availability of sufficient funds, the Corporation's performance in augmenting its storage capacity was poor. The Management attributed (September 2007) the low achievement of targets to delay in acquisition of land and assured to take suitable steps to achieve the targets in future. However, a review of the records relating to acquisition of land and construction of godowns revealed that improper planning and delay in completion of projects and inadequate management of funds mainly contributed to low achievement of targets as discussed in the succeeding paragraphs.

Acquisition of land

3.8 During 2002-07, the Corporation acquired 76.59 acres of land valued at Rs.1.39 crore situated at 30 locations from the State Government. The Corporation utilised only 60.34 acres of land. The balance 16.25 acres of land valuing Rs.26.84 lakh at eight⁴⁵ locations remained unutilised for 10 to 30 months. Besides 5.30 acres of land acquired earlier (1995) at Dalora in Satna, also remained unutilised as on September 2007. No serious efforts were made to utilise the acquired land or dispose off the extra land with a view to avoid payment of lease rent. For instance, the BoD decided (April 2002) to sell unutilised land measuring 694.38 sq.m at Goushala complex in Satna, forming part of 1.84 acres purchased (1963) from a private party. The Management, however, has not taken any steps for its disposal so far (September 2007). The unutilised land left was indicative of the absence of a definite plan for construction of godowns to increase its own storage capacity as also the fact that there was no justification for purchase of the land. Thus, the purpose for which the land was acquired stands defeated.

⁴⁵ Sheopur, Chandari, Mungawali, Datia, Guna, Indergarh, Shivpuri and Dewas.

Loss due to delay in construction

3.9 Delay ranging between one to twelve months in completion of construction of godowns was noticed in 50 out of the 59 godowns constructed during 2002-07. No doubt, the Corporation recovered Rs.12.78 lakh as penalty from the contractors for delay in completion of 39 works, it suffered a potential loss of revenue of Rs.1.62 crore⁴⁶ on account of this delay. The Management stated (September 2007) that the delay was due to site conditions. The reply is not acceptable as the delay was mainly due to abandonment of work by the contractors, faulty tendering procedures and construction of buildings in disputed areas as discussed in *paragraphs 3.10, 3.14 and 3.15*.

Delay in completion and commissioning of godowns deprived the Corporation from potential revenue of Rs.1.74 crore.

It was further noticed that there were delays in commencement of commercial operations in ten godowns⁴⁷ completed during 2002-2007. The delays ranged from 31 to 247 days. The loss of storage charges on this account worked out to Rs.12.25 lakh. The Management attributed (September 2007) delays to non-receipt of commodities for stocking and completion of godowns in off-seasons. The reply is not acceptable since the completion of construction of warehouses during off seasons was due to delay on the part of the Management and could have been avoided by proper planning.

During deliberations of the Audit Report of Comptroller and Auditor General of India (Commercial) 1999-2000, the COPU directed (March 2006) the State Government to fix responsibility for revenue loss in such cases and to take corrective steps to avoid delay. No action has, however, been taken in this regard.

Delay in completion of abandoned work

3.10 The work of construction of 1000 MT capacity warehouse at Pichore was awarded (January 1999) to a contractor for Rs.16.33 lakh. The contractor abandoned the work (March 2000) after executing it to the extent of Rs.13.41 lakh. The balance work was awarded (August 2002) after a delay of 28 months, to another contractor for Rs.4.88 lakh. Although the excess expenditure of Rs.0.64 lakh incurred in completion of the work was recovered (from security deposit and EMD of Rs.0.77 lakh) from the defaulter, the delay of 28 months in awarding the balance work resulted in a loss of potential revenue of Rs.6.30 lakh.

⁴⁶ At average storage charges of Rs.30 per month per MT at 75 per cent occupancy.

⁴⁷ Harrakheda, Gadarwada, Seoni, Shivpuri, Pichhore Biora., Nagda, Neemuch, Dindori, and Indergarh.

Loss due to splitting of capacity

3.11 The Corporation decided (January 2005) to construct a godown at Meghnagar (Jhabua) having capacity of 3600 MT to store foodgrains and fertilisers. The Corporation, however, constructed (March 2006) two separate godowns having capacities of 2600 MT and 1000 MT at a total cost of Rs.65.62 lakh, for reasons not on record. The cost of construction of a single godown of the same capacity of 3600 MT constructed at Richhai (Jabalpur) during the same period (January 2007) was Rs.50.75 lakh only. Thus, the Corporation incurred extra expenditure of Rs.14.87 lakh on construction of two godowns at Meghnagar. Audit observed that the excess expenditure incurred at Meghnagar did not enhance the revenue earning capacity of the split godowns.

The Management stated (September 2007) that two separate godowns were constructed at Meghnagar to accommodate hazardous and non-hazardous commodities separately. The reply is not acceptable since the intended facility was made available by constructing three other godowns of different capacities (2600 MT, 3400 MT and 4000 MT) separately at the same place during the same period. Hence, the construction of two smaller godowns at an additional cost of Rs.14.87 lakh could have been avoided.

Construction of double storied godowns

Injudicious decision to construct double story godown instead of conventional godown resulted in avoidable expenditure of Rs.0.60 crore.

3.12 In spite of the availability of sufficient land (3000 sq.m) at Dewas, the Corporation constructed (May 2003) a double storey godown of 3400 MT (1800 *plus* 1600) capacity at a cost of Rs.1.11 crore. In addition to the extra capital expenditure (Rs.60 lakh) due to double storey construction, the Corporation was incurring an additional expenditure of Rs.11 per MT as loading and unloading charges in view of reluctance of the depositors to deposit their stock on first floor. Thus, the Corporation's failure to anticipate the additional labour involved, at the time of designing the godown led to avoidable recurring expenditure on loading and unloading charges. The Corporation spent Rs.3.70 lakh on this account during 2004-05 and 2006-07.

The Management stated (September 2007) that in future no double story godowns would be constructed.

3.13 The Corporation invited (February 2001) tenders for construction of a double storey godown of capacity 2400 MT (1200 *plus* 1200) at Begamganj at an estimated cost of Rs.80 lakh. The lowest offer {14.95 *per cent* above the schedule of rates (SOR)} received in March 2001 was for Rs.91.96 lakh. Taking cognizance of an anonymous letter, the Corporation invited (June 2001) fresh tenders and finalised (August 2001) the offer of the same contractor at negotiated rate of Rs.87.68 lakh (9.60 *per cent* above SoR).

The work started in September 2001 and was due for completion in May 2002, but was completed a year later (May 2003) at a cost of Rs.92.50 lakh. In this connection, it was observed that

- the Corporation invited tenders (June 2001) and issued work order (September 2001) without obtaining the administrative approval (AA) of its own MD for the revised estimate. AA for the revised estimate of Rs.94.47 lakh was obtained (August 2003) from the MD only after completion of the work.
- work was started (September 2001) before issue (January 2002) of technical sanction;
- purpose of negotiation was defeated as work was completed at an extra cost of Rs.4.82 lakh, and
- the double storey⁴⁸ design was resorted to on the grounds of non-availability of sufficient land. But the Lokayukta, Madhya Pradesh, to whom the case was referred (April 2001), opined (February 2003) that the Corporation's officials made no efforts to obtain additional land required. The BoD directed (May 2003) the Management to take action against the officials who reported about the non availability of land for construction of a conventional godown. No action has been taken in this regard by the Management (September 2007).

Loss due to retendering

3.14 The Corporation invited (June 2003) tenders for construction of a 4600 MT godown at Dilora at an estimated cost of Rs.42 lakh. As only one bid was received, tenders were re-invited (July 2003). The lowest offer received (August 2003) was 8.12 *per cent* below the SoR, but the Corporation cancelled (August 2003) the offer due to lawyer's notice (August 2003) issued on behalf of five contractors (who did not participate in the subject tender as well as in the subsequent tenders) on the plea that the NIT issued was not clean and open. The tenders received against the third (September 2003) and fourth (January 2004) calls were also rejected on the grounds of high rates. After eleven months, the Corporation finalised (February 2005) an offer at 15.70 *per cent* above SoR received in response to the fifth call (December 2004). The work order was issued (March 2005) for Rs.48.59 lakh and the work was completed (October 2005) at a cost of Rs.49.03 lakh. In this connection, it was observed that:

Failure to follow standard tendering procedure resulted in loss of Rs.0.30 crore.

- failure of the Corporation to follow standard tendering procedure during the second call resulted in cancellation of the favourable lowest offer of 8.12 *per cent* below the SoR. This resulted in loss of Rs.10.09 lakh to the Corporation;
- there was potential revenue loss of Rs.18.63 lakh due to avoidable delay of 18 months (from July 2003 to December 2004); and

⁴⁸ *The Corporation did not incur any extra expenditure on loading and unloading since only light material viz. tenduputta was stored on the first floor.*

- retendering five times resulted in additional avoidable expenditure of Rs.1.34 lakh on account of publication of NITs.

Thus, failure to follow standard tendering procedure resulted in loss of Rs. 30 lakh due to retendering and consequential delay in completion of work.

Construction of godown in an area under legal litigation

Construction of godown on disputed land resulted in blocking of funds amounting to Rs.1.76 crore.

3.15 The Corporation acquired (August 2005) 1.620 hectares of land, for construction of a 10,000 MT godown, on lease from the State Government in Datia against payment of Rs.7.68 lakh as premium and Rs.0.77 lakh payable annually as lease rent. A private party (petitioner) filed (September 2005) an objection with the Collector, Datia for stalling the lease arrangement on the pretext that a portion of the land belonged to him. A copy of the petition was also sent (19 September 2005) to the Branch Manager of the Corporation at Datia. Without waiting for the final outcome of the case, the Corporation issued (29 September 2005) work order for construction of two godowns with capacity of 5400 MT and 4600 MT on the disputed area at a tendered cost of Rs.1.94 crore for completion in eight months (May 2006). A stay for transfer of land was granted (October 2005) by the Nazul Adhikari. After vacation (October 2005) of the stay, the petitioner sought (October 2005) legal remedy in the court of law. Mean while, the Corporation had spent Rs.1.76 crore up to March 2007 on this work but it would not be able to use this godown, as the case is subjudice. Failure to ensure clear title of land before commencement of work resulted in avoidable blocking of funds of Rs. 1.76 crore.

Construction of godowns under Grameen Bhandran Yojana

The Corporation failed to derive the benefit of subsidy amounting to Rs. Six crore from NABARD for construction of 27 godowns.

3.16 Under the Grameen Bhandran Yojana Scheme formulated (July 2002) by the GoI, the construction cost of the rural godowns was to be subsidised to the extent of 25 per cent provided 50 per cent of the construction cost was met by taking loans from the financial institutions. The subsidy was to be released by NABARD. Though the Corporation constructed (2002-06) 45 godowns in rural areas, it took advantage of the scheme only for 18 godowns. The subsidy received for these 18 godowns aggregated to Rs.3.07 crore. The Corporation did not avail of subsidy for 27 godowns constructed during the period thereby depriving itself of the benefit of subsidy to the extent of Rupees six crore.

The Management stated (September 2007) that the Corporation would take the benefit of subsidy component in future.

Operation of godowns

Occupancy and profitability of the warehouses

3.17 The capacity utilisation of the Warehouse and working results of this activity during 2002-07 are given in **Annexure-22**. Analysis of the details in Annexure 22 reveals that against a targeted increase of 4.02 lakh MT the average storage capacity of the Corporation's own godowns increased by 1.02

lakh MT only during the period 2002-07. It was noticed that during the period, the Corporation granted licenses to the private parties for the operation of warehouses with a capacity of 18.30 lakh MT. This clearly indicates that there was demand for warehouses. Thus, due to addition of storage capacity lower than the targeted increase, the Corporation failed to achieve its objective of providing scientific storage facilities in the State. Moreover, the percentage of utilisation of available storage capacity also declined from 69 per cent in 2002-03 to 57 per cent in 2006-07. The Management did not analyse the reasons for low utilization of capacity as of October 2007.

Out of 230 centres occupancy level in 79 to 135 centres was below 75 per cent occupancy level during 2002-07.

3.18 Purpose of construction of godowns is achieved if occupancy is optimum. The occupancy indicates the efficient and profitable utilisation of the warehouses. The details in respect of the levels of occupancy achieved by the centres of the Corporation during the period under review are given in *Annexure-23*. It could be seen that out of 230 centres (average number of centres operated during the period of review) occupancy level in 79 to 135 centres was below 75 per cent (considered to be the optimum level in the industry). It was further noticed that during the period from 2002-03 to 2006-07 one centre⁴⁹ suffered continuous losses for four years, four centres⁵⁰ for three years, five⁵¹ centres for two years and 35 centres* for one year aggregating Rs.40.20 lakh.

Targets and achievements:

Targets of storage capacity and occupancy were not achieved.

3.19 The targets for occupancy of storage capacity are fixed in the MoUs entered into by the Corporation with the State Government annually. The targets fixed for storage capacity and occupancy for the last five years are given below:

Year	Storage capacity (in lakh MT) at the end of the year		Occupancy percentage	
	Targets	Actual	Targets	Actual
2002-03	11.53	11.79	83	81
2003-04	12.10	11.67	90	77
2004-05	12.34	11.78	85	78
2005-06	12.35	11.88	85	80
2006-07	12.71	11.71	85	71

Source: MoU, data supplied by management.

From the above, it will be seen that the Corporation did not achieve the targets fixed for storage capacity during 2003-07 and occupancy in all the years ranged between 71 per cent to 81 per cent.

⁴⁹

Piploda.

⁵⁰

Bhanpura, Ghatabillod, Morena and Gulabganj.

⁵¹

Gulabganj, Harrakheda, Morena, Depalpur, Barotha

Hiring of godowns/warehouses

3.20 In order to meet the seasonal demand, the Corporation hires private godowns/warehouses from time to time on the recommendations of the Branch Managers. Details of hired and own godowns during 2002-03 to 2006-07 are as under:

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1	No. of hired Godowns	378	347	389	376	229
2	Average storage capacity created during the year (in lakh MT of hired Godowns)	2.28	2.04	2.13	2.10	1.18
3	Average capacity of hired godowns utilised during the year	1.82	1.63	1.84	1.77	1.08
4	Percentage of utilisation of hired Godown	80.0	80.0	86.0	84.0	92.0
5	Average capacity available (own) (in lakh MT)	9.51	9.63	9.65	9.78	10.53
6	Average capacity utilised (own) (in lakh MT)	6.36	5.93	6.18	6.00	5.62
7	Percentage utilisation of own capacity	67.0	62.0	64.0	61.0	53.0

Source: Data supplied by management.

It will be seen from the table that

- the Corporation did not utilise its own full capacity or that of its hired godowns;
- whereas capacity utilisation of its own godowns decreased from 67 per cent in 2002-03 to 53 per cent in 2006-07, the capacity utilisation of hired godowns consistently and substantially increased from 80 per cent in 2002-03 to 92 per cent in 2006-07. This shows the obvious patronage shown by the Corporation to the private godowns at the cost of its own godowns; and
- the fact is that the total surplus capacity of the Corporation's godowns (19.01 lakh MT) during 2002-07 was more than the total capacity hired (9.73 lakh MT) during the period. Had the Corporation, instead of hiring the private godowns, utilised its own godowns it would have earned additional revenue of Rs. 6.28 crore during 2002-07.

During deliberation of the Audit Report of Comptroller and Auditor General of India (Commercial) 1999-2000, the COPU directed (March 2006) the Corporation to furnish year wise details of storage capacity created, capacity utilised and income and expenditure on hired and own godowns separately from 2001-02 onwards. The Corporation has not been compiling the above data as directed by COPU so far (September 2007).

Utilization of hired godowns during 2002-07 ranged between 80 to 92 per cent, whereas the utilisation of own godown was only 53 to 67 per cent. The Corporation would have earned additional revenue of Rs. 6.28 crore had the capacity available in its own godown utilised in full instead of taking private godowns on hire.

Avoidable expenditure on hiring of godowns at Dewas

3.21 Monthwise available capacity of own godowns vis-à-vis hired capacity and their utilisation during 2003-04 to 2006-07 at Dewas centre was as under:-

Year	Available own capacity (in MT per month)	Hired capacity (in MT per month)	Total utilisation (own + hired) (in MT)	Unutilised capacity of own godown during the year (in lakh MT)	Total hired capacity during year (in lakh MT.)	Avoidable expenditure on Godown Rent (Rs. in lakh)
1	2	3	4	5	6	7
2003-04	29,300 MT to 30,950 MT	9,000 MT (April 03 to November 03)	Ranged between 10,958 MT to 27,169 MT	1.40	0.72	4.32
2004-05	34,400 MT	2,600 MT to 11,833 MT	14,525 MT to 34232 MT	2.01	1.22	8.24
2005-06	27,500 MT to 34,400 MT	3335 MT to 9030 MT	6,428 MT to 34,919 MT	1.33	0.91	7.26
2006-07	37,500 MT to 44700	325 MT to 3,335 MT	14,441 MT to 38,312 MT	1.93	0.19	1.69
Total				6.67	3.04	21.51*

* Rent actually paid.

Source: Data supplied by management.

The Corporation incurred avoidable extra expenditure of Rs.0.22 crore on hiring of godowns.

It will be seen that while the Corporation under utilised its own godowns, it fully utilised capacity of private godowns. The total unutilised capacity of its own godowns during 2003-07 was 6.67 lakh MT of which 3.04 lakh MT was passed on to hired godowns. This resulted in incurring of avoidable expenditure of Rs. 21.51 lakh on hiring of godowns.

Consumer and commodity wise utilisation

3.22 To assess the extent of fulfilling the main objectives of providing scientific storage facility for agriculture produces and inputs, the Corporation maintains data of the different sections of users and the commodities stored. The details for the five years ended March 2007 are as below:

Year	(Quantity in MT)				
	Co-operative Societies	Govt.-Institutions	Farmers	Traders	Total
2002-03	75,670 (9.25)	5,09,183 (62.22)	99,108 (12.11)	1,34,385 (16.42)	8,18,346 (100)
2003-04	73,195 (9.68)	4,41,116 (58.35)	92,744 (12.27)	1,48,926 (19.70)	7,55,981 (100)
2004-05	1,20,873 (15.07)	4,42,202 (55.13)	88,616 (11.05)	1,50,469 (18.75)	8,02,160 (100)

Year	Co-operative Societies	Govt.-Institutions	Farmers	Traders	Total
2005-06	1,73,994 (22.40)	3,98,498 (51.29)	66,956 (8.62)	1,37,455 (17.69)	7,76,903 (100)
2006-07	2,13,064 (31.80)	1,89,148 (28.24)	66,436 (9.92)	2,01,278 (30.04)	6,69,926 (100)

Figures in bracket denote percentage.
Source: Data supplied by management.

The Corporation failed to attract primary producers for storing food grains in its godowns as the business during 2002-07 from the farmers constituted 8.62 to 12.27 per cent of the utilised capacity.

It will be seen from the above that the warehousing facility was mainly utilized for storage of foodgrains by the Government institutions and Cooperative societies and combined utilisation ranged between 60.04 per cent (2006-07) and 73.69 per cent (2005-06). The capacity utilized by primary producers (farmers) constituted 8.62 per cent (2005-06) to 12.27 per cent (2003-04) only. In fact, it declined from 12.11 per cent in 2002-03 to 9.92 per cent in 2006-07. The Corporation did not analyse the reasons for the decline.

The Corporation did not broaden its customer base and failed to attract primary agricultural producers for storing their produce in its warehouses. Thus, the Corporation had not been able to achieve its main objective, despite the recommendations (March 2006) of the COPU (22nd Report) to attract more number of farmers to use Corporation's godowns.

3.23 It was also observed that the Corporation did not effectively implement the Farmers Extension Service Scheme introduced (1978-79) by the GoI. The scheme, inter-alia, envisaged propagation of the benefit of scientific storage and for safeguarding foodgrains from rodents and insects, etc. The table below indicates the total foodgrains including pulses stored in the godowns of the Corporation and foodgrains stored by the farmers during 2002-07:

(Quantity in MT)

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1	Total Storage of food grains	4,27,402	4,21,097	5,10,724	4,64,823	3,19,833
2	Storage of food grains by farmers	99,108	9,27,44	88,616	66,956	66,436
3	Percentage utilisation	23.19	22.02	17.35	14.40	20.77

Source: Data supplied by management.

Corporation failed to motivate the farmers to store their produce in warehouses of the Corporation.

It will be seen from the above that the percentage of utilization by the farmers declined from 23.19 per cent in 2002-03 to 20.77 per cent in 2006-07. The Corporation did not spend adequately (Rs.2.07 lakh only was spent during the five years upto March 2007) on the publicity of this scheme, despite assurance given (June 2003) to the COPU.

Had the scheme been implemented effectively over the years, the Corporation could have increased awareness among primary producers and motivated them to store their produce in the warehouses of the Corporation. The Management

stated (September 2007) that suitable promotional activities would be taken up to apprise the farmers about the benefit of scientific storage.

Fixation and application of storage charges

3.24 The Corporation did not formulate any system for fixation and revision of storage charges and minimum occupancy level for godowns to cover all overheads. The storage charges fixed (April 2001) were not revised except that of sugar (above 50 kg bag), which was increased (August 2006) from Rs.2.90 to Rs.3.40 per bag per month. The rates of storage of soyabean and area-wise storage rate for other commodities were, however, reduced (March 2004 and August 2006) in view of low demand from depositor. The Corporation did not maintain commodity-wise income and expenditure, despite recommendation (March 2006) of COPU in its 22nd Report to this effect.

Storage Charges and profitability

3.25 During the period of review, the profitability per MT decreased from Rs. 115.35 in 2002-03 to 49.96 in 2006-07 as seen below:

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
Income per MT* (in rupees)	300.68	285.52	304.33	332.07	296.41
Expenditure* per MT (in rupees)	185.33	192.72	234.89	222.64	246.46
Profit per MT (in rupees)	115.35	92.80	69.44	109.43	49.96
Percentage of profit to Income per MT	38.36	32.50	22.82	32.95	16.86

* **These are based on available storage capacity.**

Source: P&L account and calculation.

The main reasons for reduction in profit was increase in payment of interest, establishment cost and other miscellaneous expenses and also due to reduction in utilisation of capacity of godowns.

Delay in collection of storage charges.

The Corporation did not levy penal charges for delay in collection of storage charges despite provision in the Accounts Manual and COPUs recommendation.

3.26 As per Accounts Manual of the Corporation, storage charges are to be collected at the time of delivery (spot payment) except in cases where the Corporation has allowed credit facilities. In respect of depositors with credit facilities, the bills are to be raised at monthly intervals and they have to make payment within a period of 30 days from the date of issue of bills failing which penal interest at the rate of 9 *per cent* is to be levied. It was observed that the Corporation did not raise bills promptly and also did not levy penal interest for delayed payments. Test check of 212 bills valuing Rs.85.55 lakh issued during 2005-06 and 2006-07 in Bhopal region revealed that there were delays ranging between one to 263 days in raising the bills. This resulted in consequent delay in collection of storage charges ranging between three to

1123 days. The Corporation did not levy penal charges for delay in collection of storage charges despite recommendation (March 2006) of COPU in its Report (22nd Report). The loss of penal charges due to delayed payment worked out to Rs.1.35 lakh (at nine *per cent* interest).

The Management stated (September 2007) that instructions have already been issued (September 2005 and July 2006) for raising bills on due dates. However, it was noticed that these instructions were still not being complied with (September 2007).

Loss due to indirect credit facility

Non claiming of storage charges on monthly basis from non institutional depositors resulted in loss of interest of Rs.0.22 crore.

3.27 The spot payment system, usually applicable to non-institutional depositors including private parties, requires preparation of bills and payment of storage charges only at the time of delivery. While this system was suitable for depositors who lifted their stock within a reasonable period, it bestowed an undue benefit to those depositors who kept their stocks with the Corporation for a longer duration. Test check of records available in Bhopal region revealed that in 128 cases, the depositors did not lift their stock even after two to 40 months from the date of deposit. In such cases, the Corporation accounted for the income on accrual basis at the end of each financial year, but realised it at the time of delivery of the stock, consequently extending an indirect credit facility. Accrued storage charges at the end of the years 2002-03 to 2006-07 ranged between Rs.3.33 crore and Rs.2.36 crore and remained uncollected for periods ranging from one month to 40 months. The loss of interest (at the rate of 9 *per cent*) due to non-claiming of storage charges on monthly basis on this account worked out to Rs.21.87 lakh.

The Management stated (September 2007) that from now onwards, credit facility would be restricted upto six months only in spot payment system and monthly bills would be issued thereafter.

Accountal of storage charges

3.28 As per Corporation's instructions (August 2000) the Branches and Regional offices were to retain cash ranging between Rs. 2,000 to Rs. 6,000 and Rs. 15,000 to Rs. 25,000 respectively from the storage receipts and the balance was to be transferred to the Head Office. Retention of more cash than the prescribed limit would entail recovery of interest from the Branch Manager at bank rate. Further, the COPU had also recommended (March 2006) that the Corporation should take corrective measures to rectify shortcomings of financial management. Test check of records, however, revealed the following deficiencies:

- Eighty (33.61 *per cent*) branches out of 238 branches did not have bank accounts where they could deposit cash received;
- in 130 cases (Rs.5.01 crore) of transfer from Regional Offices to Head Office involving cash balance more than Rs. one lakh, the delays

Cash books were not being maintained properly by the branch offices of the Corporation.

- noticed ranged between four days to 84 days resulting in loss of interest of Rs.1.66 lakh (at the rate of 10 *per cent*); and
- cash book being the book of original entry should be maintained properly by recording the receipts and payments on the day of occurrence itself and the receipts so collected be deposited either on the same day or on the next day. Test check revealed that in 28 branches cash book was not written daily. Further, there was delay in depositing cash receipts in the banks from two to 64 days by 23 branches.

Loss due to reservation of godown space

3.29 During the rabi harvest of 2006-07, the Corporation reserved godown space for the Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSC) for stocking wheat procured under Price Support Scheme at their request (February 2006). Due to less procurement of wheat by the MPSCSC, it could not make use of the entire reserved space and in the absence of timely intimation the godown space could not be made available to other depositors. The MPSCSC declined (13 April 2006) to make payment of storage charges of Rs.65.76 lakh payable for unutilised reserved space though provided in agreement. The Company on the request (April 2006) of MPSCSC, reduced (16 June 2006) the storage charges to Rs.19.53 lakh for which bills are yet to be issued (September 2007).

Thus, failure to recover storage charges as per the terms of agreement resulted in loss of revenue of Rs. 46.23 lakh.

Shortages

3.30 Section 20 (2) (3) and (4) of the Madhya Pradesh Warehouses Act, 1947 stipulates that the warehouseman shall not be responsible for any excess or shortage beyond his control, of commodities deposited. In case of dispute, the matter shall be referred to the prescribed authority whose decision shall be final. The commodities received from depositors for storage are generally weighed at the time of receipt and at the time of return also. Shortages could occur in the quantity stored due to driage, periodicity of storage, condition of stock/ bags at the time of storage and method of weighment.

Scrutiny of records relating to receipt, storage, and return of the commodities, revealed that:

- there was no system of ascertaining year wise shortage. As per the data collected (2005-06) by the Corporation, the value of total shortages during 2002-05 amounted to Rs.4.56 crore. The Corporation, however, did not analyse the reasons for such shortages and also did not identify the shortages since 2005-06 onwards (September 2007), and

The Corporation did not analyse the reasons for shortages occurring mainly in the stocks belonging to the Government organisation.

- shortages occurred mainly in the stocks belonging to the Government organisations and not in the stocks (ranging 30 to 40 *per cent* of total stocks) of the private parties even though the stocks belonging to all depositors were stored under identical conditions.

Installation of weighbridges

3.31 For storage of goods belonging to FCI in their godowns, the Corporation had to install weighbridges at all its centres with storage capacity exceeding 10,000 MT. Failure to do so would make the Corporation liable to bear the weighing charges on the commodities stored by FCI. Accordingly the Corporation, in its MoU targets for the years 2004-05 to 2006-07, included installation of 44 weighbridges (Cost: Rs.2.11 crore) at 31 centres where the own storage capacity was more than 10,000 MT. It was observed that the Corporation could establish only five weighbridges during this period. It was also noticed that two weigh bridges installed (November 2002) at a cost of Rs.11.99 lakh at Dewas and Itarasi were not functioning since installation. The Management stated (April 2007) that it could not establish the desired number of weighbridges due to non receipt of grants. The reply is not tenable because the MoUs did not contain such commitments. Thus, due to non-installation of weighbridges, the Corporation had to bear weighing charges (Rs. 60 lakh) on behalf of FCI.

Maintenance of warehouses

In order to provide scientific storage, the Corporation undertakes fumigation work of the godowns to protect the stored commodities from insects, rodents etc. To carryout the periodical protective measures, the Corporation purchases fumigation materials, dunnages and disinfestation equipments. The process of fumigation formed the major maintenance work of the Corporation

Budget for disinfestation equipment

3.32 Budget provision for purchase of the disinfestation equipment, actual purchases and the utilisation of the equipments for the period from 2002-03 to 2006-07 are given in the table below:

(Rupees in lakh)

	2002-03	2003-04	2004-05	2005-06	2006-07
Budget allocations	28	29	40	48	44
Value equipment purchased during the year	12.25	24.11	16.20	36.09	3.58
Savings	15.75	4.89	23.80	11.91	40.42
Percentage of utilisation	43.75	83.14	40.5	75.19	8.13

Source: Budget, Accounts (Schedule-10) and calculation.

It can be seen that utilisation of budget allocations for purchase of equipment for disinfestations ranged between 8.13 to 83.14 *per cent*.

Usage of consumables

3.33 The following table indicates the usage of consumables like fumigation material and dunnages during 2002-03 to 2006-07:

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Budget Provision for Fumigation material (Rs. in lakh)					
	Original	35.50	36.50	42.00	60.00	59.00
	Revised	34.00	42.00	45.50	50.00	35.00
2.	Actual expenditure incurred on fumigation material (Rs. in lakh)	31.13	27.20	32.55	32.18	25.13
3.	Budget Provision for Dunnages (Rs. in lakh)					
	Original	32.00	40.00	40.00	40.00	52.00
	Revised	34.00	34.00	35.00	60.00	60.00
4.	Actual expenditure on Dunnages (Rs. in lakh)	21.35	25.31	25.68	26.41	29.36
5.	Godown space used (in lakh MT)	8.18	7.56	8.02	7.77	6.70
6.	Cost of fumigation per lakh MT (Rs.in lakh)	3.80	3.60	4.06	4.14	3.75
7.	Cost of Dunnages per lakh MT (Rs. in lakh)	2.61	3.35	3.20	3.40	4.38

Source: Accounts (Schedule-23) and Data supplied by management.

Budget estimates of consumables were not prepared on realistic basis.

The cost of fumigation material used per lakh MT of space utilised ranged between Rs.3.60 and Rs.4.14 lakh and cost of dunnages used ranged from Rs.2.61 to Rs.4.38 lakh during the period 2002-07.

It can also be seen that the budget estimates were not prepared on realistic basis. On being pointed out, the Management stated (May 2007) that the budget estimates were prepared on the higher side to ensure availability of more funds. The reply is not acceptable since provision of higher estimate than that actually required defeated the purpose of preparation of the budget estimates. It was also noticed that the Corporation did not fix norms for consumption, minimum, maximum and the reorder levels for the consumables.

Repairs and maintenance

3.34 The godowns/warehouses are maintained by the Corporation to keep them in useable condition all the time. The budgeted vis-à-vis actual expenditure incurred on repairs and maintenance of godowns/warehouses

during 2002-03 to 2006-07 are given in the following table.

S. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1	No. of Godowns (own)	887	899	895	907	947
2	Available storage capacity (own) (in lakh MT)	9.51	9.63	9.65	9.78	10.53
3.	Original Budget Estimate(Rs.in lakh)	105.00	60.00	92.00	130.00	130.00
4	Revised budgeted figures (Rs. in lakh)	65.00	66.00	125.00	130.00	157.00
5	Actual expenditure on Repairs & Maintenance of Godowns & Office buildings (Rs. In lakh)	60.76	66.26	100.38	96.44	157.58
6	Variation in budgeted vis-à-vis actual Saving(-)/Excess(+) (Rs. in lakh)	(-)4.24	(+)0.26	(-)24.62	(-)33.56	(+) 0.58
7	Percentage of increase in storage capacity in comparison to storage capacity for 2002-03.	--	1.26	1.47	2.84	10.72
8	Percentage of increase in expenditure on repairs & Maintenance in comparison to 2002-03	--	9.05	65.20	58.72	159.35
9	Repair & Maintenance Expenditure (Rs. per MT) (4÷2)	6.38	6.88	10.40	9.86	14.96

Source: Data supplied by the management, Budget and Accounts (Schedule-22) .

The table above indicates that increase in storage capacity was 1.47 and 10.72 *per cent* in the years 2004-05 and 2006-07 over that of the year 2002-03 whereas the increase in expenditure on repairs and maintenance was 65.20 and 159.35 *per cent* in 2004-05 and 2006-07 in comparison to expenditure during the year 2002-03.

During 2004-05 and 2006-07 expenditure on repairs and maintenance increased abnormally. The Corporation fixed (March 2003) a limit of Rs.15 per MT per block of two years as repair charges commencing from 2003-04. It did not include other special repairs and painting of roof trusses or minor original works. In the absence of separate details of special repair in the accounts, the compliance of orders could not be verified in audit.

Insurance

Formation of Insurance Trust

3.35 With a view to have its own insurance fund, the Corporation appropriated 25 *per cent* of the profit towards a self indemnity fund from 2000-01 onwards. The accumulation in the fund as on March 2007 was Rs.14.91 crore. The BoD decided (February 2006) to obtain the approval of Insurance Regulatory and Development Agency (IRDA) for formation of a trust for administering the insurance fund and investing the accumulation outside the business. The Corporation approached (June 2006) IRDA, but did not pursue the matter thereafter, hence the corpus of Rs.14.91 crore (March 2007) remained in fixed deposits in the banks instead of being invested elsewhere to get better return. In the mean time, the Corporation continued to make payment of insurance

premium (Rs. 2.51 crore during 2002-07) to the insurance companies. The Management stated (September 2007) that reply from IRDA was awaited. The reply is not acceptable as the Management did not pursue the matter vigorously. Thus, the failure to establish the trust resulted in payment of huge amount as insurance premium.

3.36 The Corporation stocks both hazardous goods (like tendupatta) and non-hazardous goods (like foodgrains, fertilisers, seeds etc.) in its godowns. Since the premium charged by insurance companies for hazardous stocks is more than that for non-hazardous stocks, the Corporation takes separate insurance cover, based on the type of stocks, to be stored in its godowns. The Corporation took (March 2003) two insurance policies of Rs.415 crore for non-hazardous goods and Rs.50 crore for hazardous goods for the period 31 March 2003 to 30 March 2004. While there was no restriction in storing non-hazardous stock with hazardous stock, the terms and conditions of the insurance policies stipulated that hazardous goods to the extent of five *per cent* only could be stored with non-hazardous stocks.

Corporation suffered loss of Rs.0.78 crore on account of insurance claim due to improper mixing of hazardous and non-hazardous goods in the godowns.

A fire accident occurred (10 April 2003) in the Corporation's godown at Harpalpur where 2260 bags of muttar, 52 bags of sugar and 12175 bags of tendupatta valuing Rs.97.81 lakh were destroyed. The Corporation preferred two separate claims viz. one for Rs.29.62 lakh for foodgrains and the other for Rs.68.19 lakh for tendupatta. As the Corporation had stored hazardous goods (tendupatta) in excess of five *per cent* with the non-hazardous goods, the Insurance Company did not honour the claim. Instead an additional premium of Rs.76.03 lakh was claimed by the insurer in view of the breach of warranty. However, the Insurance Company settled (March 2004) the claim for Rs.20 lakh and paid the amount to the Corporation. Thus, the Corporation suffered loss of Rs.77.81 lakh due to improper storage of stocks besides additional liability of premium of Rs. 76.03 lakh. The Corporation filed (May 2007) a case with the State Consumer Forum against the insurance company. Further, developments are awaited (September 2007).

Manpower analysis

3.37 Staff cost is the major constituent of the expenditure of the Corporation. The table given below summarizes the details of employee cost and productivity thereof during 2002-03 to 2006-07:

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1. No. of employees in position (excluding daily wage employees)	1862	1813	1207	1226	1233
2. Total employees cost (Rs. in crore)	12.50	12.98	14.80	15.22	16.65
3. Average cost per employee (Rs. in lakh)	0.67	0.72	1.22	1.24	1.35
4. Total revenue from warehouses (Rs. in crore)	35.11	32.64	34.71	37.63	32.39

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
5. Warehousing revenue per employee (Rs. in lakh)	1.89	1.80	2.88	3.07	2.63
6. Percentage of per capita cost to per capita revenue	35.45	40.00	42.36	40.39	51.33

Source: Data supplied by management and Annual Accounts.

From the above details it may be seen that despite decrease in number of employees, the employee cost and cost per employee were on the increase mainly due to increase in salary of employees. Even though revenue from warehouses and revenue per employee were on the increase, the proportion of such increase was less than the increase in cost as evidenced from percentage of per capita cost to per capita income.

The COPU in its recommendations (March 2006) directed the Corporation to take measures to control the establishment cost in comparison to the revenue earning and directed to furnish latest position. However, the Corporation has not taken any action in this regard, so far (September 2007).

Region-wise position of deployment of employees

3.38 The region wise position of deployment of employees as on 31 March 2007 vis-à-vis quantity handled during the 2006-07 was as under :

Particulars		Regions					
		Bhopal	Gwalior	Jabalpur	Indore	Ujjain	Sagar
1	No. of employees as on 31.3.2007	209	193	144	177	183	188
2	Total Quantity handled in the Region (in MTs)	1,75,696	1,59,363	83,684	1,12,995	1,78,604	1,15,607
3	Quantity handled per man deployed (in MTs)	841	827	581	638	975	615

Source: Data supplied by management.

From the above it will be seen that the deployment of employees in various regions was not done in proportion to the volume of business.

Administrative overheads

The Corporation had not fixed norms for administrative overheads for its Head office and regional offices.

3.39 According to CWC norms, the head office administrative overheads should not be more than eight per-cent of the warehousing receipts. The Corporation had not fixed any norms for administrative overheads of its controlling offices (Head office and Regional offices). It was noticed that the administrative overheads ranged between 44.73 and 59.18 *per cent* of warehousing receipts during 2002-03 to 2006-07. Thus, huge expenditure on

administrative overheads being incurred by controlling offices resulted in reduction of the profit considerably.

Corporate Governance

Internal Control

3.40 Internal control is a management tool used to provide reasonable assurance to see that management operation is being achieved in an efficient, effective and orderly manner. The internal control procedures were not commensurate with the size and activities of the Corporation as discussed below:

- The Corporation does not have any manual prescribing duties/responsibilities at each level.
- Under regulation 3(1) of the Madhya Pradesh State Warehousing Corporation regulations (under Section 42 of Warehousing Corporation Act, 1962), the meeting of EC is required to be convened once in a month to review the functions of the Corporation. The Management also assured (September 2004) the COPU while discussing the review of the working of the corporation as appeared in the Audit Report (Commercial) 1999-2000, to hold such meetings as per the regulation. But the meetings were not convened monthly. Audit scrutiny revealed that during the five years ending March 2007, the committee met only 18 times. The Management agreed (September 2007) to hold meetings regularly as per the regulation.
- The statement of activities and financial estimates of the Corporation were not approved by the CWC and the State Government as required under section 26 (2) of the Warehousing Corporation Act, 1962 resulting in absence of expert scrutiny. The Management stated (April 2007) that the regulation regarding obtaining the approval of CWC and the State Government was not known to the Corporation. Thus the non-adoption of the provisions of the Act resulted in lack of expert scrutiny by the CWC and State Government.
- Item wise detail of dead stock articles such as Lab Equipment and Machinery, Disinfesting Equipments, other equipments and wooden crates were not maintained by the Corporation. The Corporation had not fixed minimum, maximum and reordering level for the procurement of these items.
- Twenty eight branches have not written cash book on daily basis as discussed in *para 3.28*.
- As per provisions of Section 24 of the Warehousing Act, 1962, the State Warehousing Corporation can construct godowns in the State only. The Corporations construction activities in Rajasthan for NAFED

(10,000 MT capacity Warehouse at Sri Ganganagar at a cost of Rs.2.23 crore) as well the construction of office buildings and drug store for medical department in 21 districts of Madhya Pradesh at Rs.12.07 crore *ultra vires* the provisions of the Act.

- The Corporation purchased computer and peripherals at a cost of Rs.41.58 lakh during 2002-03 - 2006-07 and spent Rs.15.36 lakh on training and related works. The enterprise level software development work awarded (July 2004) to a private firm has not been completed, resulting in idling of computers purchased.
- Advances paid (during August 2002 to March 2007) to contractors in 13 cases (Rs.41.58 lakh) pending finalisation of their bills, booked under “Miscellaneous Advances” were not adjusted from their subsequent claims, so far (September 2007).

Inflated estimates

3.41 The Corporation undertook construction of 59 godowns during 2001-07 and completed the same during 2002-07. It was noticed that in respect of 13 works the actual expenditure incurred was less (between 10 to 23.20 *per cent*) than tendered cost aggregating to Rs.59.42 lakh. It was observed that the

- estimates were prepared without examining the site conditions;
- estimates were not framed with due care; and
- the different components of the works were not properly assessed.

The Management stated (September 2007) that suitable measures for preparing the estimates on realistic basis would be taken in future.

Godowns transferred by the State Government

3.42 The State Government transferred (1978) 81 godowns to the Corporation. Out of these, 47 godowns located in Chattisgarh were handed over (May 2002) to Chattisgarh Warehousing Corporation. Of the remaining 34 godowns (capacity 23,451 MT), the value of 11 godowns amounting to Rs.1.05 crore was incorporated (2002-03) in the accounts of the Corporation as share capital of the State Government (Rs. one crore). The Management had not initiated any steps for incorporation of the value of remaining 23 godowns in its accounts. It was also observed that the records relating to the land owned by the Corporation (Gwalior Region) were also not available with it.

Internal Audit

3.43 The Corporation has set guidelines for conducting the internal audit of the various units/wing/sections of the Corporation in the Accounts manual. The internal audit wing functions under an Assistant Manager (a class III

employee). Internal audit of the centres was conducted by a firm of Chartered Accountants and the Corporation's staff. During the period of five years upto 2006-07, internal audit was conducted in 997 centres against 1151 centres planned during the period. As against 29 audits due in respect of Regional Offices, only 18 were conducted. The Head office was not audited at all. A review of the reports and functions of the internal audit wing revealed that

- the internal audit wing was not independent unit as contemplated in the recommendation (March 2006) of COPU. The Head of the internal audit wing reports to the Manager (Accounts) who in turn reports to the Managing Director.
- the internal audit reports did not conform to the format prescribed in Accounts Manual.
- The internal audit wing did not cover the areas of physical verification of commodities stocked, contracts, stores as prescribed in the internal audit chapter of the Accounts Manual
- The internal audit reports were not submitted to the BoD for their scrutiny.

Budgetary control

3.44 The provisions of the Warehousing Corporation Act, 1962, require the Corporation to prepare annual capital and revenue budgets, revised estimates of capital expenditure, revenue expenditure, storage income vis-à-vis actual and its variation with the revised estimates. The above details as prepared by the Corporation are furnished in ***Annexure-24***.

Budget provisions for capital expenditure were not fully utilised by the Corporation.

The targets with the progress are to be reviewed by the BoD periodically for exercising effective budgetary control. It was noticed that budget preparation was not realistic as evidenced by the wide variations between the estimates and the actuals in capital expenditure. Against a capital budget of Rs.74.19 crore for the five years ending 2006-07, the Corporation spent only Rs.41.83 crore (56.38 *per cent*). The abnormal variation of 43.62 *per cent* indicated non-fulfilling of the envisaged targets. Viewed in the light of cash surplus of Rs.4.12 crore, Rs.11.37 crore, Rs.19.06 crore and Rs.20.53 crore, and Rs.20.68 crore. available with the Corporation at the end of the years 2002-03 to 2006-07 respectively, its performance for creation of envisaged assets was not satisfactory. The Management stated (April 2007) that the works could not be taken up as per provided in the budget due to non availability of land. The reply is not acceptable since the Corporation had not utilised the entire land acquired by it during the period under review. The Management further stated (September 2007) that it would ensure formulation of realistic budgets in future.

Conclusions

The Corporation did not have a satisfactory plan for purchase of land, construction of godowns and their utilisation. Despite having sufficient funds, the Corporation was not able to augment its storage capacity as envisaged in MoU targets. There were delays in construction of godowns as well as in the commencement of commercial operation of godowns after construction. The Corporation was not able to fully utilise its own godowns. In spite of availability of surplus capacity in its own godowns the Corporation hired godown from private parties. The repairs and up-gradation works were not taken up systematically with reference to age or usage of the godowns. Though the Corporation prepared budget estimates, revised budget estimates etc., there was absolutely no budgetary control mechanism. The internal control and internal audit was not commensurate with the size and nature of the activities of the Corporation. The management did not comply with number of earlier recommendations of the COPU.

Recommendations

The Corporation should,

- take immediate steps for utilisation of land already acquired;
- analyse the occupancy levels of the centres to assess the efficiency of the godowns and plan construction or taking up special repairs accordingly;
- improve capacity utilisation of its warehouses by motivating the primary producers/traders to store their produce with it;
- fix minimum, maximum and reorder levels of all consumable materials; and
- strengthen internal control and internal audit and prepare budget estimates on realistic basis.